NORTHERN REVENUE SHARING TRUST ACCOUNT

ANNUAL REPORT

For the Year Ended December 31, 2006

Letters of Transmittal

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

It is our privilege to submit to you the Annual Report of the Northern Revenue Sharing Trust Account for the fiscal year ending December 31, 2006.

Respectfully submitted,

Harry Van Mulligen
Minister of Government Relations

The Honourable Harry Van Mulligen
Minister of Government Relations

Dear Minister:

I have the honour of submitting the Annual Report of the Northern Revenue Sharing Trust Account for the fiscal year ending December 31, 2006.

Respectfully submitted,

Lily Stonehouse
Deputy Minister, Government Relations

EXECUTIVE SUMMARY

The Northern Revenue Sharing Trust Account is a special account set up under *The Northern Municipalities Act*. The purpose of the trust account is to assist northern municipalities with operating and capital needs as well as to assist with funding for the operation of eleven northern settlements and fourteen recreational subdivisions in the Northern Saskatchewan Administration District. Financial support is provided through conditional and unconditional grants.

The Northern Revenue Sharing Trust Account assisted northern communities in providing quality services to their residents, with the following programs:

- Phase 1 of the Northern Water and Sewer program entered its final stages. Twenty-seven projects were funded in 2006, at a cost of $2.8 million. Phase 1 is presently 90% completed. Design work has already started on two Phase 2 projects in order for work to proceed in 2007.

- Emergency Water and Sewer program funded four projects for $345,000 in 2006. To the end of 2006, thirty-four projects have been approved for $2.1 million.

- The Northern Capital Grants program funded 47 projects totaling $1.0 million supporting northern municipalities and settlements. This program provided capital funding assistance to acquire, construct or upgrade municipal facilities, furniture, fixtures and equipment.

- The Northern Residential Subdivision Development program has developed 123 lots to date for a cost of $1.49 million and 22 lots have been sold, returning $425,000 to the program.

Performance Highlights in 2006:

- Consultations were held with the uranium mining industry, which contributes 69% of the NRSTA's property taxes. As a result, the commercial/industrial mill rate was increased by one mill, to eight mills, in 2006. This generated an estimated $150,000 in additional taxes, allowing the NRSTA to continue support programs for northern communities. A further 1 mill increase is expected in 2007.

- Interest income increased to $877,000 from $608,000 in 2005 due to higher interest rates and higher retained net financial assets.

- Revenue from other sources such as fuel sales, utility fees and other services generated $918,000 in revenue for the NRSTA, an increase of $91,000 over 2005.

INTRODUCTION

MANDATE

The Northern Revenue Sharing Trust Account (NRSTA) is a special fund established under *The Northern Municipalities Act* ("the Act") in 1998. The NRSTA is administered and managed by the Northern Municipal Services ("the branch") with input and advice from the NRSTA Management Board ("the Board"). Northern Municipal Services is a branch of the Municipal Relations Division of the Department of Government Relations (GR).

The Board plays an important role by ensuring that the NRSTA continues to be used for the benefit of northern residents.

The Board's role is to make recommendations to the Minister regarding:

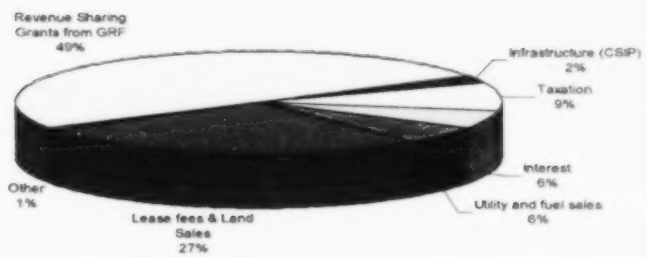
a) the allocation of northern revenue sharing grants and northern capital grants from the revenue sharing account; and

b) any proposed change to the Act or the regulations concerning the NRSTA.

Initiatives of the Board to assist communities include Northern Capital Grants, Emergency Water and Sewer Repair, Water and Sewer Operator Circuit Rider, and Subdivision Development program.

The NRSTA derives the majority of its revenues from four main sources:

NRSTA 2006 Revenues



1. transfers from the provincial general revenue fund and other federal and provincial infrastructure programs;

2. collection of monies from lease fees and land sales in the Northern Saskatchewan Administration District (NSAD);

3. property taxes and penalties collected on land in the NSAD, northern settlements and recreational subdivisions; and

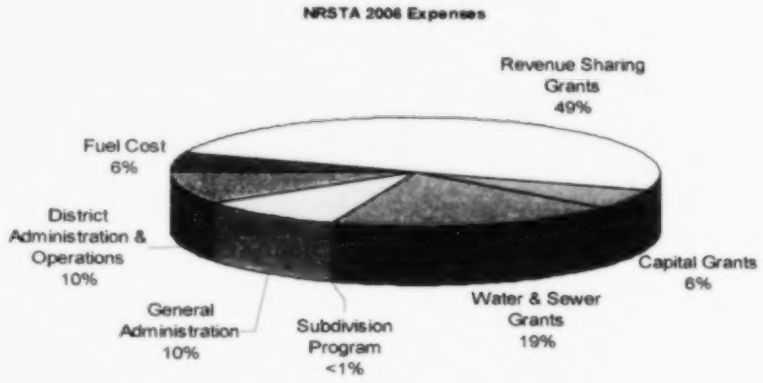
4. interest on funds deposited in financial institutions.

NORTHERN REVENUE SHARING TRUST ACCOUNT

Under the Act, the Minister of Government Relations is responsible for carrying out the municipal responsibilities for the unincorporated areas of the NSAD. The NRSTA acts as a municipal operating fund for the NSAD and as a general fund providing financial support to northern municipalities and settlements.

Operating Fund

The NRSTA provides funding to meet operating costs for 11 northern settlements, 14 recreational subdivisions and over 8000 isolated dispositions.



The operating account represents approximately 18% of the NRSTA expenditures.

General Fund

The NRSTA general fund provides program funding to northern municipalities and settlements. The Northern Revenue Sharing Grants (NRSG) program is funded from the provincial general revenue fund and the NRSTA. Northern Water and Sewer Grants (NWSG) are funded from the federal/provincial infrastructure programs. Other programs are fully funded from the NRSTA's own source revenues. The general account portion represents 82% of the NRSTA expenditures.

VISION OF THE NRSTA

Enhance the quality of life of Northern Saskatchewan residents.

GOAL OF THE NRSTA

Assisting northern communities in providing quality municipal services to their residents.

OBJECTIVES OF THE NRSTA

The objectives to accomplish this goal are:

1. To manage the NRSTA in a sustainable manner;

2. To ensure the NRSTA is fully accountable, transparent and in compliance with legislative authorities; and

3. To provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs.

Northern Municipal Services

The NRSTA is administered and managed by the Northern Municipal Services ("the branch"), a branch of the Municipal Relations Division of the Department of Government Relations (GR). The goals and objectives of the NRSTA are congruent with those of the branch. One of the goals of the department is:

> Respectful, effective municipal-provincial relationships that strengthen the quality of local governance for the benefit of Saskatchewan residents.

The branch is responsible for:

- administering, on behalf of the Minister as council, the northern settlements, recreational subdivisions, and the NSAD;

- administering the NRSTA and the NRSG, Northern Capital Grants (NCG) and NWSG programs;

- administering the Northern Residential Subdivision Development program;

- providing advice, guidance and training to northern officials and the public on northern municipal matters, including administrative procedures, municipal accounting, bylaw enactment and enforcement, property taxation and assessments;

- monitoring compliance of northern municipal governments with provincial statutes and regulations;

- monitoring and assisting northern municipalities with financial management; and

- providing municipal advisory services to the 24 autonomous northern municipal governments in the NSAD.

KEY PROGRAMS AND SERVICES

Northern Revenue Sharing Grants Program

The Northern Revenue Sharing Grants program provides unconditional funding to northern municipalities and settlements to assist in meeting their annual administrative and operational needs.

Northern Capital Grants Program

The Northern Capital Grants program supports northern municipalities and settlements by providing capital funding assistance for acquiring, constructing or upgrading municipal facilities, furniture, fixtures and equipment.

Northern Water and Sewer Program

This Northern Water and Sewer Grant program assists northern municipalities and settlements with developing new, or upgrading existing, water and sewer facilities.

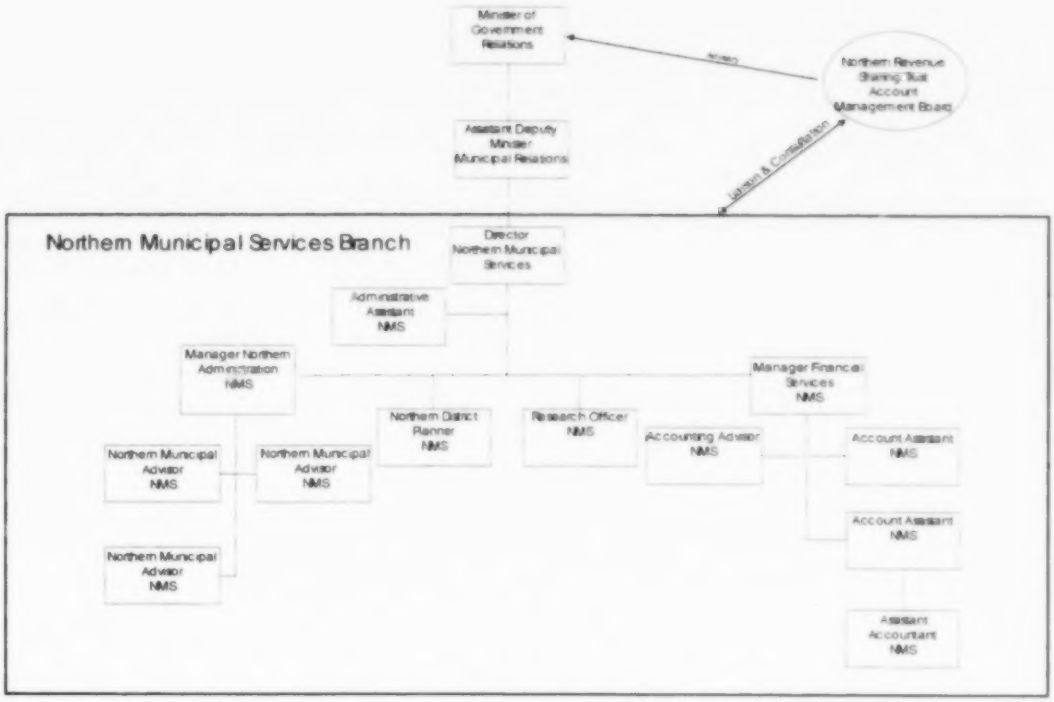
Emergency Water and Sewer Program

This program assists northern municipalities and settlements with emergency funding in the event of unforeseen problems which threaten the safety of the community's water and sewer systems. Funding is provided from NRSTA's own source revenues.

Northern Residential Subdivision Development Program

The Northern Residential Subdivision Development program assists northern municipalities by funding the development of new residential subdivisions in the municipality. The program covers subdivision design, survey and installation of services.

ORGANIZATIONAL CHART - NORTHERN MUNICIPAL SERVICES



NORTHERN MUNICIPAL SERVICES

Northern Municipal Services, a branch of the Municipal Relations Division of the Department of Government Relations, assists the northern communities in providing quality municipal services to their residents. One of the goals of the department is:

> Respectful, effective municipal-provincial relationships that strengthen the quality of local governance for the benefit of Saskatchewan residents.

The branch supplies an administrative role to the NRSTA, NSAD, northern settlements, and recreational subdivisions. This includes imparting advice, guidance and training; monitoring compliance with provincial statutes and regulations; and providing financial management and municipal advisory services.

2006 PERFORMANCE RESULTS

Goal: Assisting northern communities in providing quality municipal services to their residents

The objectives to accomplish this goal are:

1. To manage the NRSTA in a sustainable manner;
2. To ensure the NRSTA is fully accountable, transparent and in compliance with legislative authorities; and
3. To provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs.

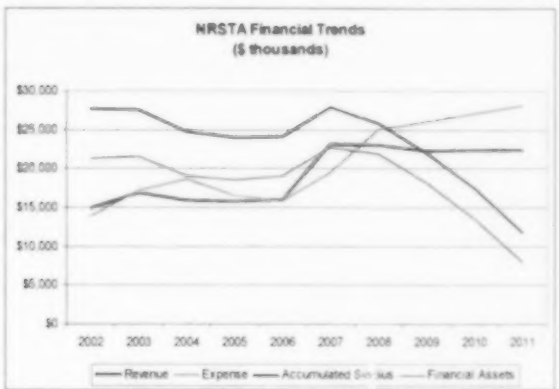
1. Manage the Northern Revenue Sharing Trust Account in a sustainable manner

In 2006, the NRSTA had revenues of $15.9 million and expenses of $15.8 million for a surplus of $0.1 million. The surplus had the effect of increasing the NRSTA's net financial assets by 3% to $19.0 million at year end 2006. To sustain the NRSTA it is planned that net financial assets do not fall below $7 million.

The NRSTA budgeted a deficit of $1.8 million in 2006 to finance the NWSG program. As a result of delays in three major projects, expenses were reduced, resulting in a small surplus.

At the end of 2006 the NRSTA had no debt and an accumulated surplus of $24.1 million. Of this amount, $9.5 million is designated for use in the northern settlements and recreational subdivisions.

Accumulated surplus and financial assets are anticipated to drop due to funding pressures related to water and sewer and capital infrastructure programs. At the end of 2011 it is anticipated that financial assets will be close to the $7 million minimum level set out in the strategic plan.

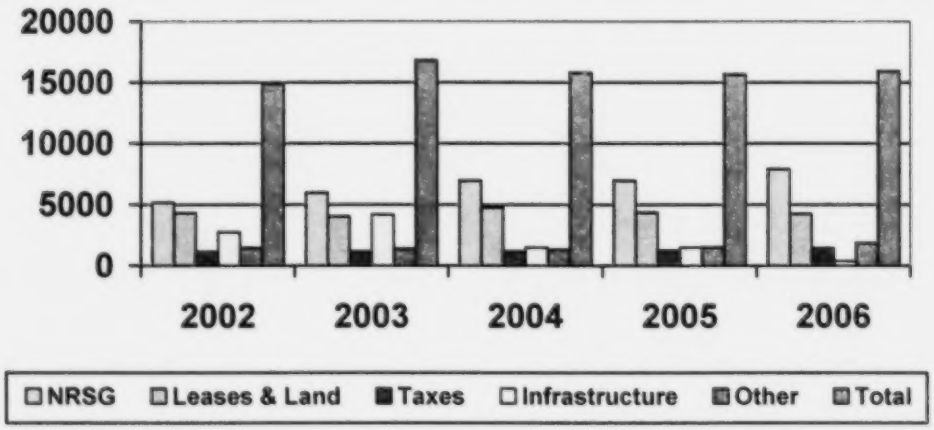


The sustainability of the NRSTA over the past five years has been projected to 2011.

Revenues

Revenues have been relatively consistent over the past five years. Branch transfers to the NRSG program have increased. Infrastructure funding transfers from the province have been used to upgrade water and sewer systems. Revenues from lease and land sales, taxes and other sources are used by the NRSTA to administer the district, northern settlements and recreational subdivisions as well as to provide funds for other infrastructure programs.

(in thousands)



Transfers

Revenues are received from the province's general revenue fund to provide NRSG payments to northern municipalities and settlements.

The provincial government pays grants in lieu of property taxes to the NRSTA and northern settlements have access to recreation and employment grants.

In addition, transfers are received for infrastructure development under the Canada-Saskatchewan Infrastructure Program (CSIP). These funds flow through the NRSTA and are detailed under expenditures in the NWSG program.

Transfers

(in thousands)

Transfers	2006	2005	2004	2003	2002
Unconditional Revenue Sharing	$ 7,106	$ 6,158	$ 6,158	$ 5,980	$ 5,183
Conditional Revenue Sharing	822	822	822	--	--
Water & Sewer	395	1,520	1,514	4,204	2,763
Grants in Lieu	48	45	44	45	45
Recreation Grants	42	55	90	109	57
Total	$ 8,413	$ 8,600	$ 8,628	$ 10,338	$ 8,048

Lease and Land Sales

The lease and sale of Crown land in the NSAD provides revenue to the NRSTA. These are administered by the Saskatchewan Department of Environment (SE) and the proceeds are transferred to the NRSTA.

In addition, funds from land sales in northern settlements and from the Northern Residential Subdivision Development program are administered by the NRSTA.

(in thousands)

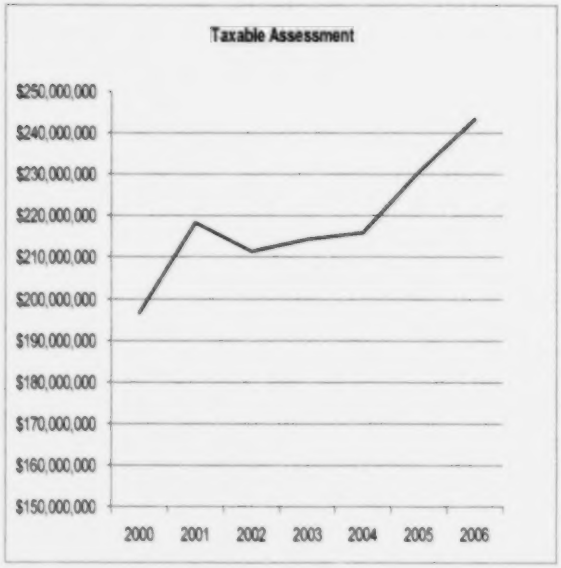
	2006	2005	2004	2003	2002
Lease Fees	$ 4,043	$ 3,986	$ 3,705	$ 3,891	$ 4,112
Land Sales	223	398	1,082	167	244
Total	$ 4,266	$ 4,384	$ 4,787	$ 4,058	$ 4,356

Taxes Levied and Collected

The NRSTA levies and collects taxes in northern settlements, recreational subdivisions and the NSAD. Taxes collected in the northern settlements and recreational subdivisions are designated for use in the community in which they are collected.

The tax levy is based on the assessed values of land and improvements in the NSAD, northern settlements and recreation subdivisions. The Saskatchewan Assessment Management Agency (SAMA) is responsible for determining the assessed values, and adjustments are based on changes to the assessment roll. Total reassessments are done every four years. The last reassessment was performed in 2005.

Generally the taxable assessment has been increasing, with a net increase of 24% between 2000 and 2006. Mining and mineral sectors (commercial/industrial) are the major components of the assessed values (69%). Growth in this sector has been strong and growth is expected to continue.

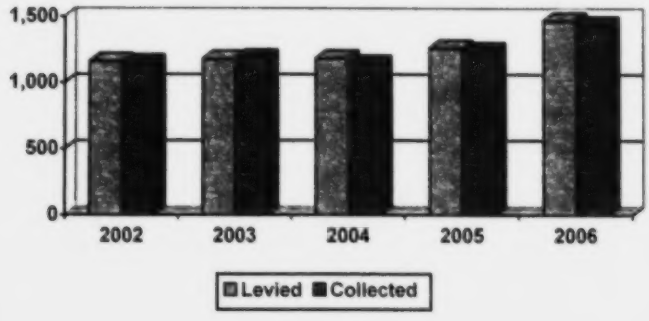


In 2006, the commercial/industrial mill rate was increased by one mill, to eight mills, resulting in an estimated $150,000 increase in the tax levy.

Taxes collected in the NSAD during 2006 were used, in part, to fund the NCG and the NWSG programs, to supplement funding under the NRSG program, and to fund the Northern Residential Subdivision Development program.

Efficient tax collection measures resulted in the collection of 108% of taxes levied in 2006.

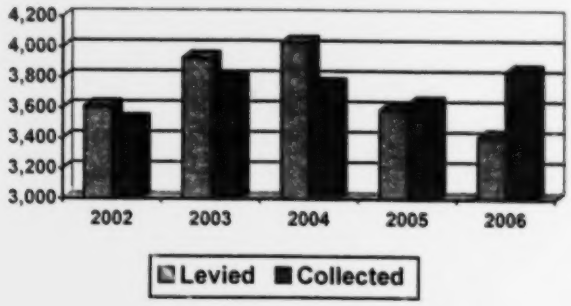
(in thousands)



Actual levy and penalties net of tax abatements

The NRSTA administers assessment and taxation for the nine northern hamlets and the three northern school divisions. Revenues collected on behalf of the northern hamlets and school divisions are transferred to those organizations.

Hamlets and School Divisions
(in thousands)



Interest

The NRSTA derives revenue from deposits and investments held in financial institutions. The NRSTA negotiates to obtain the best rates on these funds. In 2006 interest generated $877,000 (2005 - $608,000). The average interest rate received on investments ranged from 3.9 to 4.65 percent.

Other

In 2006, the NRSTA received revenue of $918,000 from other sources such as fuel sales, utility fees and other services, which was an increase of $91,000 over 2005.

Key actions for 2006 were:

- Develop options for the collection of lease fees, currently collected by SE;
- Analyze the level of taxes paid by the mining industry, compared to other industries in the province and the country;
- Conduct research to determine funds needed to carry out funding obligations; and
- Ensure that the retained financial assets in the Account are not reduced below $7 million.

In 2006, the outcomes included:

- Semi-annual meetings were held with SE to discuss reporting and collection of lease and tax arrears. The meetings resulted in enhanced level of communication and cooperation between the departments;
- The mill rate on commercial activities was increased by 1 mill in 2006 with a further 1 mill increase planned for 2007. This resulted in an increase in NRSTA revenues of approximately $150,000 in 2006 with a similar increase expected in 2007;
- Net financial assets at year end were $19.0 million, well above the target of $7 million; and
- Preliminary analysis took place on water and sewer and other infrastructure needs and costs in 2006. Analysis of the data will continue in 2007 to assess financial implications on the NRSTA.

2. Ensure the NRSTA is fully accountable, transparent and in compliance with legislative authorities

The department continues to enhance the NRSTA's accountability and transparency. This includes improving accuracy and reliability of information about the NRSTA, oversight of the NRSTA by the department, ensuring policies and procedures are adequate and complied with, and developing improved reporting on the NRSTA to the Legislative Assembly and the public.

The Board held six meetings in 2006. Topics covered in the meetings included the progress of the NWSG program, emergency repair program applications, and the Northern Residential Subdivision Development program. The Board reviewed and recommended acceptance of the Strategic Plan, the Business Plan and the Financial Plan. The Board also reviewed the NRSTA quarterly statements of operations. Discussions were commenced to review the structure and role of the Board.

Key actions for 2006 were:

- Develop a business and financial plan for the NRSTA;
- Improve annual information provided on NRSTA activities in relation to the Strategic Plan;
- Review and enhance document policies and procedures in order for the department to monitor NRSTA's operations and define financial reports for management; and
- Improve operational policies and procedures.

In 2005/2006, the branch initiated and completed most of the key actions. Major accomplishments included:

- Approved the NRSTA 2007 Business and Financial Plan;
- Approved the NRSTA 2007 Strategic Plan;
- In 2006, an annual report was developed to provide more information on the activities of the NRSTA; and
- Reviewed NRSTA policies and procedures with NRSTA staff to identify where revisions were needed

3. Provide funding to assist northern municipal governments in meeting infrastructure, capital, administrative and service needs

The NRSTA provides extensive financial support for the operations and development of northern municipalities and settlements.

Key actions for 2006 were:

- Initiate a process to review the current distribution model for NRSG;
- Assist northern communities in constructing and acquiring capital assets through the administration of the NCG program;
- Implement Phase 2 of the Northern Water and Sewer program based on the 2005 needs assessments;
- Complete the infrastructure upgrades identified in Phase 1 of the Northern Water and Sewer program;
- Develop a program for the long term operation and maintenance of northern water and sewer systems;
- Evaluate the effectiveness and viability of the Northern Residential Subdivision Development program in the provision of housing in northern communities; and
- Evaluate grant programs through the development of a long term program review model.

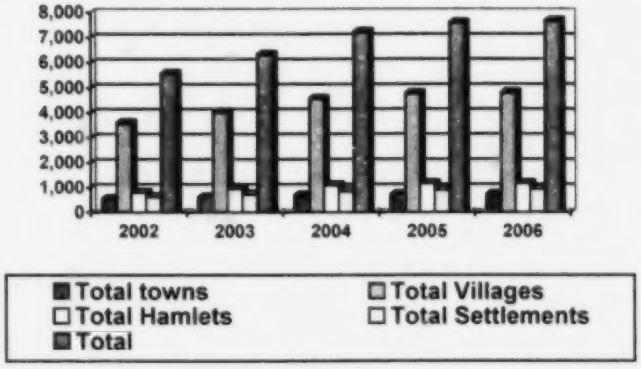
These actions were addressed by the following programs:

The Northern Revenue Sharing Grants Program

Northern communities have a high dependence on provincial grants to support operations and administration. Local tax bases are very limited and without provincial support many communities would not be able to deliver services to their residents.

(in thousands)

The Northern Revenue Sharing Grants program is funded through the provincial general revenue fund allocation along with a top-up from the NRSTA. In 2006, it provided $8.4 million in grants.



(in thousands)

Grant Payments	2006	2005	2004	2003	2002
Towns	$ 799	$ 740	$ 736	$ 702	$ 617
Northern villages	5,203	4,815	4,787	4,567	4,018
Northern hamlets	1,268	1,173	1,166	1,103	954
	7,270	6,728	6,689	6,372	5,589
Northern settlements	1,139	937	911	854	740
Flin Flon boundary agreement	38	36	35	35	35
Total	$ 8,447	$ 7,701	$ 7,635	$ 7,261	$ 6,364

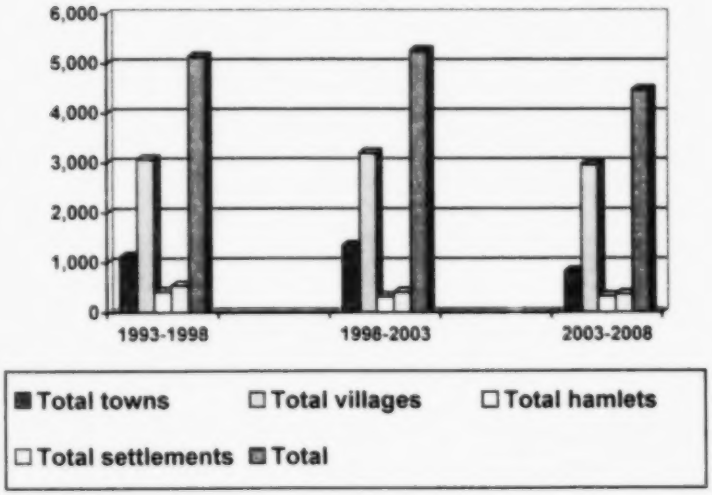
The Northern Capital Grants Program

The Northern Capital Grants program supports municipal infrastructure initiatives and is funded by NRSTA.

Communities are allocated an amount for a five year period. They may submit applications to spend the funds on municipal infrastructure.

The program allocation available for the 2003-08 period was $8.3 million. At the end of this five year period it is estimated that the total cost of the program will be $6.8 million, or $1.5 million under the total amount allocated.

(in thousands)



Number of Projects Funded	2006	2005	2004	2003	2002
Towns	8	11	6	3	3
Northern villages	31	29	35	19	13
Northern hamlets	3	13	13	11	8
Northern settlements	5	7	6	7	8
Total	47	60	60	40	32

(in thousands)

Program Expenditure	2006	2005	2004	2003	2002
Towns	$ 227	$ 216	$ 340	$ 122	$ 557
Northern villages	746	699	1,031	562	283
Northern hamlets	29	180	72	56	17
	1,002	1,095	1,443	740	857
Northern settlements	94	134	73	71	34
Total	$ 1,096	$ 1,229	$ 1,516	$ 811	$ 891

The Northern Water and Sewer Program

The *Northern Revenue Sharing Grants Regulations* provide northern municipalities or settlements with funding assistance in an amount equal to the greater of:

(a) the cost to the northern municipality or settlement for any water and sewer upgrading project, less an amount equal to two mills on the most recent confirmed taxable assessment of the northern community; or

(b) 85% of the total cost of the project itself.

The program started in 2000 and is forecasted to cost $34.5 million. To date, $31.1 million in work has been completed with the balance to be done by the end of 2008. It is funded by the NRSTA and from CSIP.

(in thousands)

Funding Agency		
PMIP/Centenary Fund – provincial	$	10,500
CSIP federal		3,664
CSIP provincial		3,293
Municipal		972
NRSTA		16,122
Total funding	$	34,551

The proposed initial funding of the NWSG program.

All projects except Sandy Bay and Wollaston Lake under phase 1 have now been either tendered or completed. These last two projects were delayed pending completion of various studies and cost sharing agreements, but are ready to be tendered in 2007.

Number of Projects Funded	2006	2005	2004	2003	2002
Towns	5	4	7	5	5
Northern villages	13	17	14	12	13
Northern hamlets	5	6	19	8	10
Northern settlements	4	2	7	5	9
Total	27	29	47	30	37

(in thousands)

Program Expenditures	2006	2005	2004	2003	2002
Towns	$ 927	$ 936	$ 1 887	$ 3 237	$ 270
Northern villages	1 205	2 314	3 635	1 021	1 095
Northern hamlets	381	535	601	380	2 334
General expenditures	224	193	132	80	44
	2 737	3 978	6 255	4 718	3 743
Northern settlements	78	27	253	542	2 872
Total	$ 2 815	$ 4 005	$ 6 508	$ 5 260	$ 6 615

Phase 2 – Northern Water and Sewer Program

To comply with SE regulations an assessment of the future requirements of the water and sewer systems was carried out in 2005/2006. The study identified a further $34 million in work to upgrade water and sewer systems in 28 of the 30 communities, which forms Phase 2 of the program.

It is expected the cost of the required work will be closer to $50 million due to increases in labour and material cost.

Upgrades are needed in order to:

- Comply with SE regulations;
- Increase system capacity due to increases in population; and
- Replace aged or worn out components.

The Municipal Rural Infrastructure Fund allocated $4 million to the North. Design work on projects for two communities began in 2006 and project funding is expected to continue in 2007 and into 2008.

Emergency Water and Sewer

If the safety of a community's water and sewer system is threatened due to unforeseen problems, the NRSTA provides funding utilizing the Emergency Water and Sewer program. Projects are approved by the Minister of Government Relations on:

- the recommendation of the Board; and
- confirmation from Saskatchewan Water Corporation that the situation is critical and meets the criteria of the program.

The maximum assistance available under this program in a fiscal year is an amount equal to the greater of:

(a) the northern municipality's or settlement's cost of all water and sewer projects undertaken in that fiscal year less an amount equal to two mills on the most recently confirmed taxable assessment of the northern community, or

(b) 85% of the total cost of the emergency repair project.

Number of Projects Funded	2006	2005	2004	2003	2002
Towns	--	--	--	--	--
Northern villages	2	5	4	8	8
Northern hamlets	2	4	3	7	5
Total	4	9	7	15	13

(in thousands)

Program Expenditures	2006	2005	2004	2003	2002
Northern villages	$ 74	$ 216	$ 46	$ 256	$ 340
Northern hamlets	271	229	43	160	46
Northern settlements	--	--			
Total	$ 345	$ 445	$ 89	$ 416	$ 386

Since the Emergency Water and Sewer program was established in 2001, a total of thirty-four different projects have been approved for $2.1 million dollars. The circuit rider program initiated under contract with ATAP in 2003 provides for two annual visits to each community with a water and sewer system to provide operator assistance and review operations. This has contributed to the enhanced level of maintenance of the systems.

Northern Residential Subdivision Development Program

The Northern Residential Subdivision Development program was established as a revolving fund capped at $2 million. The prices for lots are established to fully recover all development costs. The communities transferred title of the lots to the NRSTA before development was started. Five years after completion of the development, contractual arrangements are made with the communities to repurchase the unsold lots for the remaining outstanding development costs. Funds recovered from the sale of the lots are added back to the program in order to provide assistance to other northern communities. In 2006, agreements were reached with Cumberland House and Ile a la Crosse to repurchase the unsold developed lots.

It is anticipated that the majority of the lots will be sold in Pinehouse and Denare Beach by the end of the respective term.

As of December 31, 2006 a total of 123 lots have been developed for a cost of $1.49 million.

Developed Lots

	2006	Total	# lots
Cumberland House	$ -	$ 190	47
Pinehouse	-	224	24
Ile a la Crosse	-	603	36
Denare Beach	12	473	16
Total	$ 12	$ 1,490	123

Lot Sales

	2006		Total	
	# Lots	($ 000)	# Lots	($ 000)
Cumberland House	2	$ 26	2	$ 26
Pinehouse	3	31	12	121
Ile a la Crosse	–	–	–	–
Denare Beach	3	104	8	278
Total	8	$ 161	22	$ 425

To the end of 2006, 22 lots have been sold, recovering $425,000 for the program.

NRSTA 2007 OUTLOOK

For 2007, it is projected that the NRSTA will have revenues of $20.9 million and expenses of $19.4 million for a surplus of $1.5 million. This will enable the NRSTA to continue to provide funding for municipalities, settlements and recreational subdivisions in northern Saskatchewan.

Analysis of the revenue sharing distribution model was deferred to 2007 in anticipation of the release of the 2006 Census Canada population figures. Work on a regional water and sewer operator program was carried over to 2007 due to municipal elections in the fall of 2006. A program evaluation model will be developed as future resources become available.

Additional Future Pressures

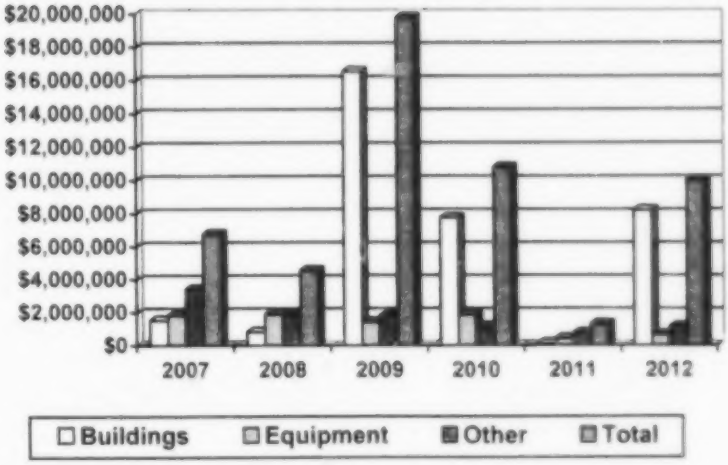
In addition to the water and sewer pressures noted for Phase 2 above, the NRSTA faces other increasing infrastructure needs:

1. Municipal Infrastructure

Many of the municipal buildings were constructed in the 1970s and 1980s. These need upgrading due to age, increasing populations and new service demands such as recreational facilities in the larger communities. Some of these needs can be met through the NCG program. The existing $8.3 million, five-year program expires on March 31, 2008. In 2007, a new program will be developed and recommended for implementation in 2008. It is anticipated that this program will be of similar magnitude to past programs. The cost has been included in the long term financial plan.

To address additional infrastructure needs the Board has recommended investigation of a program which may have a regional component, also beginning in 2008. The need for this infrastructure is based on information collected in a 2006 municipal survey. The NRSTA has included $2 million per year for this program beginning in 2008.

The projected infrastructure costs are shown in the following figure. Included in the other category are streets, landfills, and airports.



2. Subdivision Development

The Northern Residential Subdivision Development program was established as a $2 million revolving fund. At December 31, 2006, the fund had $935,000 available for new projects. It is anticipated that the fund may have applications of $1.5 to $2 million in 2007 due to the new Fort McMurray road, as well as an increase in demands from mineral development and recreational needs.

3. Landfills

Regulations surrounding landfill decommissioning costs are in the midst of changes by SE. As a result, the long term landfill decommissioning costs accrued by the NRSTA may require adjustments. In addition, northern municipalities may be impacted, which increases demands on the NRSTA to provide funding for these landfills.

4. Housing

The NRSTA has title to and administers 292 properties in the northern settlements (excluding Uranium City). Eighty-six properties have houses located on them, with 80% occupancy.

The NRSTA also has title to and administers 44 properties in the northern hamlets. Of these, there are 12 properties with houses located on them, with 75% occupancy.

There are 11 properties in other locations throughout the NSAD that the NRSTA has title to and administers, seven with houses located on them.

The branch is in the process of evaluating options to deal with these properties in order to reduce the NRSTA's role in property management. A decision on the preferred option may be made in 2007.

5. Land Use Planning

As development pressures increase in the north, there is a need to establish appropriate mechanisms to plan and guide development. The Saskatchewan Department of Environment and Saskatchewan Northern Affairs are involved in this initiative.

6. Duty to Consult

The NSAD is primarily Crown land, and contains 39 First Nations reserves. Most northern municipalities are located adjacent to First Nations, in many cases sharing services and land base. Recent court decisions that set out the need to consult with First Nations on programs or projects which could affect Treaty rights may also impact the NRSTA. The NRSTA is cognizant of the rights of First Nations peoples and will work toward a consultative environment for the delivery of future projects.

APPENDICES

1. Payments of Grants
2. Payments to NRSTA Management Board, Advisory Committees and Employees
3. Payments to Related Parties
4. Payments to Vendors list
5. Detailed Schedule of Revenues
6. Detailed Schedule of Expenses

Appendix 1

NORTHERN REVENUE SHARING TRUST ACCOUNT
PAYMENTS OF GRANTS
For the year ended December 31, 2006

Recipient	Revenue Sharing	Capital Grant	Other	Total Grants
Flin Flon	$ 38,256	$	$ 0	$ 38,256
New North			220,000	220,000
Towns				
Creighton	332,783	77,672		410,455
La Ronge	466,412	149,049		615,461
Villages				
Air Ronge	237,253	111,488		348,741
Beauval	348,493	82,701		431,194
Buffalo Narrows	518,087	226,374		744,461
Cole Bay	152,192	8,608		160,800
Cumberland House	474,233	106,654		580,887
Denare Beach	333,680			333,680
Green Lake	315,896	43,750		359,646
Ile a la Crosse	536,491	33,264		569,755
Jans Bay	153,436			153,436
La Loche	904,893	108,120		1,013,013
Pelican Narrows	379,406			379,406
Pinehouse	382,608			382,608
Sandy Bay	466,053	25,650		491,703
Hamlets				
Dore Lake	110,706	1,800		112,506
Michel Village	126,551			126,551
Missinipe	110,272			110,272
Patuanak	145,692			145,692
St George's Hill	128,846			128,846
Stony Rapids	177,076	24,705		201,781
Timber Bay	144,757			144,757
Turnor Lake	163,575			163,575
Weyakwin	159,932	2,279		162,211
Settlements				
Bear Creek	86,517			86,517
Black Point	74,296			74,296
Brabant Lake	126,074			126,074
Camsell Portage	75,557	10,000		85,557
Descharme Lake	73,621	1,926		75,547
Garson Lake	73,557	558		74,115
Sled Lake	84,457			84,457
Southend	73,154			73,154
Stanley Mission	160,507	53,543		214,050
Uranium City	149,500	28,019		177,519
Wollaston Lake	161,949			161,949
Total Grants Paid	**$ 8,446,768**	**$ 1,096,160**	**$ 220,000**	**$ 9,762,928**

Appendix 2

NORTHERN REVENUE SHARING TRUST ACCOUNT
PAYMENTS TO MANAGEMENT BOARD ADVISORY COMMITTEES AND EMPLOYEES
For the year ended December 31, 2006

Recipient	Salaries	Travel	Honorarium	Total
Chaboyer, Brian		1,766	1,705	3,471
Cheecham, Donovan	2,545			2,545
Daniels, Terri		839	1,345	2,184
Gailey, Doug		2,506	1,550	4,056
German, Adam	29,963	1,829		31,792
Hardlotte, Lydia	4,880			4,880
Laprise, Donald		2,605	360	2,965
Herman, Irvine	4,420			4,420
Herman, Neil Nelson	4,151			4,151
Janvier, Holly	2,890	50	60	3,000
Johnson, Richard	10,056			10,056
La Fleur, Eugenie		1,504	1,473	2,977
Landon, Dennis	13,801			13,801
Laprise, Casey	2,043		330	2,373
Laprise, Dino	2,110			2,110
Laprise, Donald	507	3,231	330	4,067
Laprise, Dora	5,962	544	240	6,746
Lenko, Carolyn	4,735			4,735
McKenzie, William	9,967		520	10,487
Mcleod, Albert E	6,385			6,385
McLeod, Harry	2,459			2,459
McLeod, Irvine	23,551	150		23,701
Mcleod, Joyce	7,510			7,510
Merasty, Lucy	4,021			4,021
Merasty, Roderick	22,105			22,105
Moise, George	8,035			8,035
Montgrand, Belinda	2,746			2,746
Montgrand, Joey	32,083	2,521		34,605
Montgrand, Phillip	11,806	1,359	520	13,684
Montgrand, Randy	2,545			2,545
Piche, Danny	3,941		300	4,241
Ratzlaff, Bertha	25,496	3,782		29,278
Stomp, Gordon		574	2,558	3,132
Sylvestre, Kelly	2,275			2,275
Toulejour, Clarence	5,090			5,090
Toulejour, Jeff	3,654			3,654
Toulejour, Archie	14,214		270	14,484
Wheeler, Beverly		1,778	1,473	3,250
Woods, Robert		1,895	1,473	3,367
Employer share of benefits	33,435			33,435
Total > $2,000	**309,378**	**26,933**	**14,505**	**350,815**
Total < $2,000	**26,172**	**6,185**	**5,920**	**38,277**
Total	**$ 335,549**	**$ 33,117**	**$ 20,425**	**$ 389,092**

Appendix 3

NORTHERN REVENUE SHARING TRUST ACCOUNT
PAYMENTS MADE TO RELATED PARTIES
For the year ended December 31, 2006

Name		Amount
Minister of Finance - Sask Environment		430,000
Saskatchewan Water Corporation	$	406,238
Minister of Finance - Government Relations		200,000
Saskatchewan Power Corporation		119,407
SAMA		36,597
Saskatchewan Watershed Authority		27,988
Minister of Finance -Other		27,794
Sask Tel C.M.R.		20,461
Sask Government Insurance		7,506
ISC		3,468
Sask Worker's Compensation Board		2,965
Queen's Printer		30
Total Payments to Related Parties	**$**	**1,282,454**

Appendix 4

NORTHERN REVENUE SHARING TRUST ACCOUNT
PAYMENTS TO VENDORS
For the year ended December 31, 2006

Vendor		Payment Amounts >$2,000 & <$10,000
A&L Trucking	$	2,316
Aslen, Ken		2,655
Acklands-Grainger Inc		7,289
Amachewespimawin Co-op		7,844
Anderson Tire & Muffler Ltd		2,744
Can-Am Outfitters Ltd		6,086
Canadian Satellite		2,737
Caribou Creek Plumbing		2,923
Catterall & Wright		7,335
Clarke, Joseph		4,200
Cleartech Industries Inc		4,586
Corus Entertainment Inc		3,051
Cyr, Robert		3,180
Due North Marketing		2,000
Fiske Electric		2,213
Fountain Tire		9,619
G&L Mobile Communications		5,528
German, Adam		6,704
Great River Holding Company		3,133
Gutw, James		2,603
Hard Rock Construction		3,895
Hatchet Lake Economic Development		6,426
Herman, Jeff		2,124
Infostat Canada		4,306
La Loche Fuel Bar Inc		9,503
La Ronge Co-op		2,171
La Ronge Sales & Service		4,122
Lafleur, Eugene		2,977
Lamon Disposal Ltd		5,637
Laprise, Dora		4,525
Larocque, David		2,000
Lazar Equipment		2,071
Lonesome Prairie Sand		8,000
Marlboro Inn		2,714
Marsollier Petroleum		2,103
Meadow Lake Home Building Centre		4,100
Meadow Lake Truck and Trailer Ltd		3,052
Milsap Fuel Distributors		4,458
Montgrand, Joey		2,385
Mueller Flow Control		6,400
Nordic Industries		4,781
Northwestern Auto & Tire		2,931
P. Machibroda Engineering		5,323
P.R. Service		8,194
Parkes General Store		4,356
Parkland Hardware & Building Supplies		2,668
Petit Enterprise Inc		9,895
Petit's Grading		3,114
Petit's Lumber & Home		5,896
Petit, Frank		8,383
Powder, Russel		2,120
Prince Albert Co-op		6,113
Pippin Technical		6,109
R Begga's		5,342
Ratzlaff, Bertha		5,792
Robin's Hauling & Excavating		4,537
Sal Engineering Ltd		2,712
Saskatchewan Research Council		9,730
Sears Canada Inc		4,154
Supreme Basics		7,309
Sylvester, John		4,100
Smart, Brandy		2,100
Terry Pearson Services		4,890
The General's Coffee Service		2,114
The Northwest Company		3,220
Thorpe Brothers Ltd		3,589
Tiger Calcium Services Inc		3,755
Triangle Trenching Ltd		4,497
Triple S Construction Co. Ltd		3,625
Uranium City Contracting		5,917
Urdel Ltd		8,484
Waden Bay Cabin Owners		2,875
Western Weld		7,878
Total payments >$2,000<$10,000	**$**	**338,418**

Vendor		Payment Amounts > $10,000
Village of Air Ronge	$	25,499
Acadia Construction		33,094
Alberta Locators Inc		14,225
Altra Mechanical		86,748
Associated Engineering		117,725
ATAP Infrastructure		361,231
Birch River Dene Nation		194,398
Blue Imp 758374 Alberta Ltd		19,185
Bomac Management Ltd		703,681
Bueckert, Lawrence		17,208
Bullee Consulting Ltd		68,870
Camsell Portage Freighting		24,458
Econo Lumber		12,743
Hard Construction Ltd.		55,260
ITT Flygt		14,287
J & R Atkinson Excavating		679,404
Kaiser Tractor Ltd		68,413
Town of La Ronge		343,090
Lac La Ronge Indian Band		22,989
McGill's Industrial Service		10,593
McIntyre Construction Ltd.		11,203
MDH Engineering		29,504
Methy Construction and Maintenance		12,656
Northern Hamlet of Missinipe		63,493
Mones & Associates Insurance Brokers		61,454
Northern Dene Airways		58,024
Northlands College		10,975
PB Community Fund Inc		72,600
Points North Freight		1,049,653
Prairie Steel		25,951
Ritchie Construction Ltd		293,940
Ron's Plumbing and Heating		34,162
Stauber Drilling Inc		97,682
Superior Propane Inc		27,102
Transwest Air		16,338
True Value		12,730
UMA Engineering		166,213
Unicon Pipeline Ltd		56,666
Uranium City Bulk Fuel Ltd		97,064
Total payments >$10,000	**$**	**5,070,511**

Payments <$2,000	98,116
Payments >$2,000 <$10,000	338,418
Payments > $10,000	5,070,511
Total Scheduled Payments	**$ 5,507,045**

Appendix 5

NORTHERN REVENUE SHARING TRUST ACCOUNT
DETAILED SCHEDULE OF REVENUES
For the year ended December 31

	2006 (in thousands)		2005
	Budget	Actual	Actual
Revenues			
Transfers			
Unconditional revenue sharing transfer	$ 6,158	$ 7,106	$ 6,158
Conditional revenue sharing transfer	822	822	822
Unconditional Canada Saskatchewan Infrastructure and Centenary program - water and sewer	2,426	395	1,520
Conditional training, recreational and other	60	42	54
Grants in Lieu	60	48	46
	9,526	8,413	8,600
Lease fees	3,719	4,043	3,986
Taxes			
Municipal tax levy	1,357	1,552	1,300
Discount on taxes	(55)	(73)	(53)
Municipal taxes cancelled	(2)	(59)	(27)
Municipal taxes refunded	--	(1)	(3)
	1,300	1,419	1,212
Interest and investment income			
Interest and investment income	513	877	608
Penalty on taxes	37	49	48
	550	926	656
Utility and fuel sales	800	881	776
Land sales	400	223	398
Other	40	37	51
Total revenue	$ 16,335	$ 15,942	$ 15,679

Appendix 6

NORTHERN REVENUE SHARING TRUST ACCOUNT
DETAILED SCHEDULE OF EXPENSES
For the year ended December 31

	2006 (in thousands)		2005
Expenses	Budget	Actual	Actual
Transfers			
Northern revenue sharing	$ 6,758	$ 7,482	$ 6,765
Water and sewer	6,089	3,082	4,423
Capital grants	1,000	1,002	1,095
New North	220	220	220
	14,067	11,786	12,503
Northern residential subdivision program	200	12	405
General government			
Wages and benefits	18	19	16
Administration	710	680	680
Contractual services	474	441	459
Utilities	41	44	43
Maintenance, materials and supplies	23	8	14
Loss on disposal of tangible capital assets	–	1	5
Other	16	22	14
Amortization	29	20	20
	1,311	1,235	1,251
Utilities operating expense			
Wages and benefits	112	89	90
Contractual services	58	131	78
Utilities	115	94	108
Maintenance, materials and supplies	48	62	69
Other	44	32	37
Amortization	192	196	192
	569	604	574
Recreation and cultural			
Wages and benefits	44	30	26
Contractual services	15	7	19
Utilities	69	49	49
Maintenance, materials and supplies	93	99	36
Other	28	22	18
Amortization	121	128	134
	370	335	282
Environmental			
Wages and benefits	168	119	132
Contractual services	30	52	42
Maintenance, materials and supplies	54	40	22
Other	3	–	2
Amortization	8	4	5
	263	215	203

Appendix 6 cont'd

NORTHERN REVENUE SHARING TRUST ACCOUNT
DETAILED SCHEDULE OF EXPENSES
For the year ended December 31

	2006 (in thousands)		2005
	Budget	Actual	Actual
Transportation services			
Wages and benefits	$ 60	$ 80	$ 63
Contractual services	72	75	44
Utilities	72	64	69
Maintenance, materials and supplies	75	66	58
Other	19	15	20
Amortization	46	76	71
	344	376	325
Protective services			
Wages and benefits	--	1	3
Maintenance, materials and supplies	4	8	1
Contractual services	3	3	--
Utilities	3	3	3
Other	2	2	3
Amortization	19	11	11
	31	28	21
Public health and welfare			
Contractual services	--	4	--
Utilities	--	--	--
	--	4	--
Planning and development			
Contractual services	12	--	--
	12	--	--
Fuel operating cost			
Maintenance, materials and supplies	594	769	647
Other	15	24	13
Utilities	1	1	1
Amortization	90	90	90
	700	884	751
Landfill decommissioning			
Contractual services	--	5	52
	--	5	52
Bad debt expense	300	309	50
Total expenses	$ 18,167	$ 15,793	$ 16,417

NORTHERN REVENUE SHARING TRUST ACCOUNT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2006

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Northern Revenue Sharing Trust Account, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Northern Revenue Sharing Trust Account has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Northern Revenue Sharing Trust Account for the year ended December 31, 2006 and the Provincial Auditor's report on these financial statements.

Lily Stonehouse
Deputy Minister
Government Relations

Randy Braaten
Director
Northern Municipal Services

Tony Bunz
Manager, Financial Services
Northern Municipal Services

Regina, Saskatchewan
March 3, 2007

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
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SASKATCHEWAN

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Northern Revenue Sharing Trust Account as at December 31, 2006 and the statements of operations, change in net financial assets, and cash flows for the year then ended. The Northern Revenue Sharing Trust Account's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Revenue Sharing Trust Account as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 3, 2007

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
As at December 31

	(in thousands) 2006	2005
Financial assets		
Cash	$ 3,002	$ 1,114
Temporary investments	17,750	18,250
Accounts receivable (Note 4)	1,935	3,048
Inventory for resale	683	402
	23,370	22,814
Liabilities		
Unearned revenue (Note 8)	1,493	1,584
Grants payable	2,217	1,982
Accounts payable (Note 5)	248	240
Accrued landfill decommissioning (Note 6)	229	243
Revenues collected for others (Note 7)	136	207
	4,323	4,256
Net financial assets (Note 12) (Statement 3)	19,047	18,558
Non-financial assets		
Tangible capital assets (Note 9)	4,997	5,337
Prepaid expenses	107	107
	5,104	5,444
Accumulated surplus (Note 12)	$ 24,151	$ 24,002

Commitments (Note 14)

(see accompanying notes to the financial statements)

Statement 2

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF OPERATIONS
For the year ended December 31

(in thousands)

	2006		2005
	Budget (Note 10)	Actual	Actual
Revenues (Note 12)			
Transfers	$ 9,526	$ 8,413	$ 8,600
Lease fees	3,719	4,043	3,986
Taxation	1,300	1,419	1,212
Interest and investment income	550	926	656
Utility and fuel sales	800	881	776
Land sales	400	223	398
Other	40	37	51
	16,335	15,942	15,679
Expenses (Notes 12 and 15)			
Transfers			
Northern revenue sharing	6,758	7,482	6,765
Water and sewer	6,089	3,082	4,423
Northern capital	1,000	1,002	1,095
New North	220	220	220
Northern residential subdivision (Note 11)	200	12	405
Fuel operating costs	700	884	751
Landfill decommissioning (Note 6)	--	5	52
Municipal services			
General government	1,311	1,235	1,252
Utilities operating cost	569	604	575
Recreation and cultural	370	335	282
Environmental	263	215	202
Transportation services	344	376	324
Protective services	31	28	21
Public health and welfare	--	4	--
Planning and development	12	--	--
Bad debt provision	300	309	50
	18,167	15,793	16,417
(Deficit) Surplus for the year	$ (1,832)	149	(738)
Accumulated surplus, beginning of year		24,002	24,740
Accumulated surplus, end of year		$ 24,151	$ 24,002

(see accompanying notes to the financial statements)

Statement 3

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31

	(in thousands) 2006	2005
	Actual	Actual
Surplus (deficit) for the year	$ 149	$ (738)
Acquisition of tangible capital assets	(187)	(235)
Amortization of tangible capital assets	525	523
Write-down of tangible capital assets	1	5
Proceeds on sale of tangible capital assets	1	1
Gain on sale of tangible capital assets	--	(1)
Use of prepaid expenses	--	5
Net increase (decrease) in net financial assets	489	(440)
Net financial assets, beginning of year	18,558	18,998
Net financial assets, end of year (Statement 1)	$ 19,047	$ 18,558

(see accompanying notes to the financial statements)

Statement 4

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF CASH FLOWS
For the year ended December 31

	(in thousands) 2006	2005
Operating activities		
Cash receipts:		
General Revenue Fund	$ 8,390	$ 9,460
Leases and land sales	5,575	4,990
Taxes	1,400	1,234
Interest	719	807
Utility and fuel sales	852	720
Other sources	132	169
	17,068	17,380
Cash payments:		
Transfers	(11,656)	(13,518)
Northern subdivision development	(12)	(405)
Fuel operating costs	(1,074)	(885)
Landfill decommissioning	(19)	(163)
Municipal services	(2,733)	(2,286)
	(15,494)	(17,257)
Cash flows provided by operating activities	1,574	123
Capital transactions		
Purchase of tangible capital assets	(187)	(235)
Proceeds from disposal of tangible capital assets and tax title properties	1	1
Cash flows used in capital transactions	(186)	(234)
Investing activities		
Disposal of temporary investments	72,500	55,450
Purchase of temporary investments	(72,000)	(55,750)
Cash flows provided by (used in) investing activities	500	(300)
Net increase (decrease) in cash	1,888	(411)
Cash, beginning of year	1,114	1,525
Cash, end of year	$ 3,002	$ 1,114

(see accompanying notes to the financial statements)

NORTHERN REVENUE SHARING TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

1. Authority and organization description

Northern Revenue Sharing Trust Account (NRSTA) was established by Section 287 of *The Northern Municipalities Act* (Act). NRSTA is administered by the Northern Municipal Services Branch of the Department of Government Relations (GR). NRSTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Saskatchewan Administration District Boundaries Regulations*.

The Northern Revenue Sharing Grants Program provides operational funding to northern municipalities. Grants are authorized under *The Northern Municipalities Revenue Sharing Program Regulations, 2004*.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Northern Residential Subdivision Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NRSTA.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and GR, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

Pursuant to the Act, NRSTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NRSTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant accounting policies

These financial statements are prepared using accounting principles appropriate for the public sector and reflect the following significant accounting policies:

a) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NRSTA's tangible capital asset policy requires items with a cost of $100 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are included. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NRSTA's ability to provide goods and services.

The historical costs of developing roads and similar infrastructure have not been valued nor included as part of the tangible capital assets.

b) Inventory for resale

Fuel held for resale is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

c) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met.

d) Expenses

Transfers (grants) and costs incurred on cost-sharing projects are recognized as expenses when the transfer is authorized and any eligibility criteria are met.

e) Northern Residential Subdivision Program – land development costs

NRSTA incurs land development costs for the Northern Residential Subdivision Program. Under the program, NRSTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. NRSTA expenses these costs in the year the costs are incurred provided it has no firm commitment from prospective buyers. However, when NRSTA has a firm commitment from a prospective buyer it records the related costs as assets on the Statement of Financial Position. NRSTA recognizes the sale of developed lots in the year the lots are sold or funds are recovered from the communities, where the subdivision exists.

f) Investments

i) Temporary
These consist of short-term deposits that mature within one year and are recorded at cost, which approximates their market value.

ii) Portfolio
Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP. First Nations in the far north hold the remaining interest. None of the limited partners paid any cash to secure their interest in ADBLP. These northern settlements record the investment as a portfolio investment whereby the investment is carried at cost and the revenue is recorded when cash dividends are declared.

g) Landfill decommissioning and post decommissioning care

In 2004, NRSTA began to determine the costs for decommissioning landfills and post decommissioning care. *The Saskatchewan Environmental Management and Protection Act* sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on usage.

h) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year (see note 4 and 6). Actual results could differ from those estimates.

3. Financial instruments

NRSTA's financial instruments include temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 210 days (2005 – 42 days) and bear interest ranging from 3.90% – 4.65% per annum (2005 – 2.00% – 3.26%).

4. Accounts receivable

	(in thousands) 2006	2005
Due from GR - General Revenue Fund	$ 399	$ 377
Lease fees receivable	453	1,882
Accrued interest	301	94
Fuel sales receivable	238	213
Receivable from federal government (goods and services tax)	121	120
Taxes	41	22
Other	382	340
	$ 1,935	$ 3,048

NRSTA's accounts receivable above are net of a provision of $380,000 for taxes, $1,086,000 for leases, and $11,000 for other receivables that are considered doubtful, for a total provision of $1,477,000 (2005 – $1,281,000).

5. Accounts payable

	(in thousands) 2006	2005
GR administration fee	$ 150	$ 150
Other	98	90
	$ 248	$ 240

6. Accrued Decommissioning Landfill Costs

In accordance with its accounting policy, NRSTA has accrued an estimated amount of $229,000 (2005 - $243,000) for decommissioning and post decommissioning care for all 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2006. Management estimates that the total cost to decommission landfill sites in NSAD will amount to $629,000 (2005 - $629,000) based on future cash flow discounted at three per cent.

The Saskatchewan Environment Management Protection Act sets out the decommissioning and the post decommissioning requirements including covering and landscaping of landfill, ongoing environmental monitoring, and maintenance. Future events may result in significant change to the total estimated costs required to comply with the environmental laws. NRSTA plans to account for such increases in the year when such events become known.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 48 years. On average these landfills have 1.5 hectares available for landfill use over the next 48 years.

7. Revenues collected for others

	(in thousands)	
	2006	2005
School taxes due to school division	$ 134	$ 205
Municipal taxes collected due to hamlets	2	2
	$ 136	$ 207

8. Unearned revenue

Unearned revenue of $1,493,000 (2005 – $1,584,000) represents Crown land leases collected by the Department of Environment from third parties and paid to NRSTA relating to future periods.

9. Tangible capital assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the government unless they are sold. Capital work in progress relates to water and sewer design expenses that are capitalized. These design costs are capitalized under work in progress until they are fully operational.

Tangible capital assets of $13,000 (2005 - $93,000) were written off during the year with a net book value of $2,000 (2005 - $5,000). These assets have been sold or scrapped.

(in thousands)

	2006							2005
	Buildings	Machinery & Equipment	Office Furniture & Equipment	Other	Water & Sewer	Capital Works in Progress	Total	Total
Opening cost	3,889	2,299	143	282	6,662	8	13,283	13,141
Additions	10	94	2	8	1	72	187	235
Disposals and write-downs	--	(11)	(2)	--	--	--	(13)	(93)
Closing cost of tangible capital assets	3,899	2,382	143	290	6,663	80	13,457	13,283
Opening accumulated amortization	3,121	1,689	111	193	2,832	--	7,946	7,511
Annual amortization	131	170	14	17	193	--	525	523
Disposals and write-downs	--	(9)	(2)	--	--	--	(11)	(88)
Closing accumulated amortization	3,252	1,850	123	210	3,025	--	8,460	7,946
Net book value of tangible capital assets	647	532	20	80	3,638	80	4,997	5,337

10. Budget

The 2006 budget was approved by the Assistant Deputy Minister of Municipal Relations Division of GR.

11. Northern residential subdivision program

Northern residential subdivision costs are accounted for in accordance with the policy in Note 2 (e). The development costs include subdivision design and the installation of power and water and sewer services. In 2006, NRSTA expensed $12,000 (2005 – $405,000) as Northern Residential Subdivision Program expenses.

During the year, two lots at Cumberland House, three lots at Denare Beach and three lots at Pinehouse lots were sold for a total of $161,000. This amount was recorded in land sale revenue.

12. Designated assets

Included in NSAD are northern settlements and recreational subdivisions. Under the Act, revenues collected with respect to northern settlements and recreational subdivisions must be used for the benefit of the respective communities and are not available for general purposes. The Act specifies that revenues derived from the sale of Crown land within the boundaries of a northern settlement are to be used on capital works in that northern settlement. The accumulated surplus of $9,515,000 (2005 – $9,480,000) is not available for general purposes.

Following is additional information on revenues, expenses and accumulated surplus of northern settlements and recreational subdivisions.

	(in thousands)			
	2006			2005
	Northern Settlements	Recreational Subdivisions	Total	Total
Revenues				
Transfers				
Water and sewer	$ 78	$ --	$ 78	$ 27
Northern revenue sharing	1,139	--	1,139	937
Northern capital	94	--	94	134
Other	41	--	41	59
Utility and fuel sales	881	--	881	777
Interest	165	20	185	120
Taxation	15	97	112	111
Lease fees and land sales	44	26	70	82
Other	30	4	34	49
	2,487	147	2,634	2,296
Expenses				
Fuel costs	884	--	884	751
Landfill decommissioning	5	--	5	4
Bad debt provision	24	2	26	37
Municipal services				
General government	113	14	127	113
Utilities operating costs	603	1	604	575
Recreation and cultural	327	8	335	282
Environmental	188	23	211	200
Transportation	327	48	375	318
Protective services	17	11	28	21
Public health and welfare	4	--	4	--
	2,492	107	2,599	2,301
(Deficit) surplus for the year	(5)	40	35	(5)
Designated accumulated surplus, beginning of year	8,982	498	9,480	9,485
Designated accumulated surplus, end of year	$ 8,977	$ 538	$ 9,515	$ 9,480
Designated net financial assets, end of year	$ 4,098	$ 431	$ 4,529	$ 4,158

The designated accumulated surplus at the end of the year includes the designated net financial assets and the net book value of the tangible capital assets of the northern settlements and recreational subdivisions.

13. Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to NRSTA by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on agreed-upon exchange amounts. The following table summarizes the routine related party transactions for the year:

(in thousands)

	2006	2005
Expenses		
Water and sewer transfers	$ 406	$ 446
General government	876	861
Accounts receivable		
Due from the General Revenue Fund	399	377
Lease receivable	453	1,882
Accounts payable	150	150
Prepaid expenses	107	107

In addition, NRSTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

NRSTA received the following transfers (grants) from related parties during the year:

(in thousands)

	2006	2005
General Revenue Fund		
Department of Government Relations	$ 8,323	$ 8,500
Department of Community Resources	30	47
Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture	12	7
Grants in lieu from Saskatchewan departments and agencies	42	40
	$ 8,407	$ 8,594

The Department of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Crown Land Disposition Regulations* and the Act, NRSTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD. During the year, the Department of Environment charged NRSTA $430,000 (2005 – $430,000) for administration of Crown land lease fees and Crown land sales, which is included in general government expenses.

An annual administration charge of $200,000 has been established by GR to offset its expenses for administering NRSTA, which is included in general government expenses.

14. Commitments

As at December 31, 2006, NRSTA is committed to funding northern water and sewer, capital grant and northern subdivision projects through 2008. These commitments total $9 million (2005 – $2 million).

15. Expenses by object

(in thousands)

	2006		2005
	Budget (Note10)	Actual	Actual
Transfers	$ 14,067	$ 11,786	$ 12,503
Northern subdivision development	200	12	405
Wages and benefits	402	338	330
Administration	710	680	680
Maintenance, materials and supplies	891	1,052	847
Contractual services	664	718	694
Utilities	301	255	273
Amortization	505	525	523
Loss on disposal of tangible capital assets	–	1	5
Bad debt expense	300	309	50
Other expenses	127	117	107
	$ 18,167	$ 15,793	$ 16,417